



Stock Selection Guide[®]

The most widely used aid to good investment judgment

Company LOWE'S COMPANIES INC. Date 12/22/03

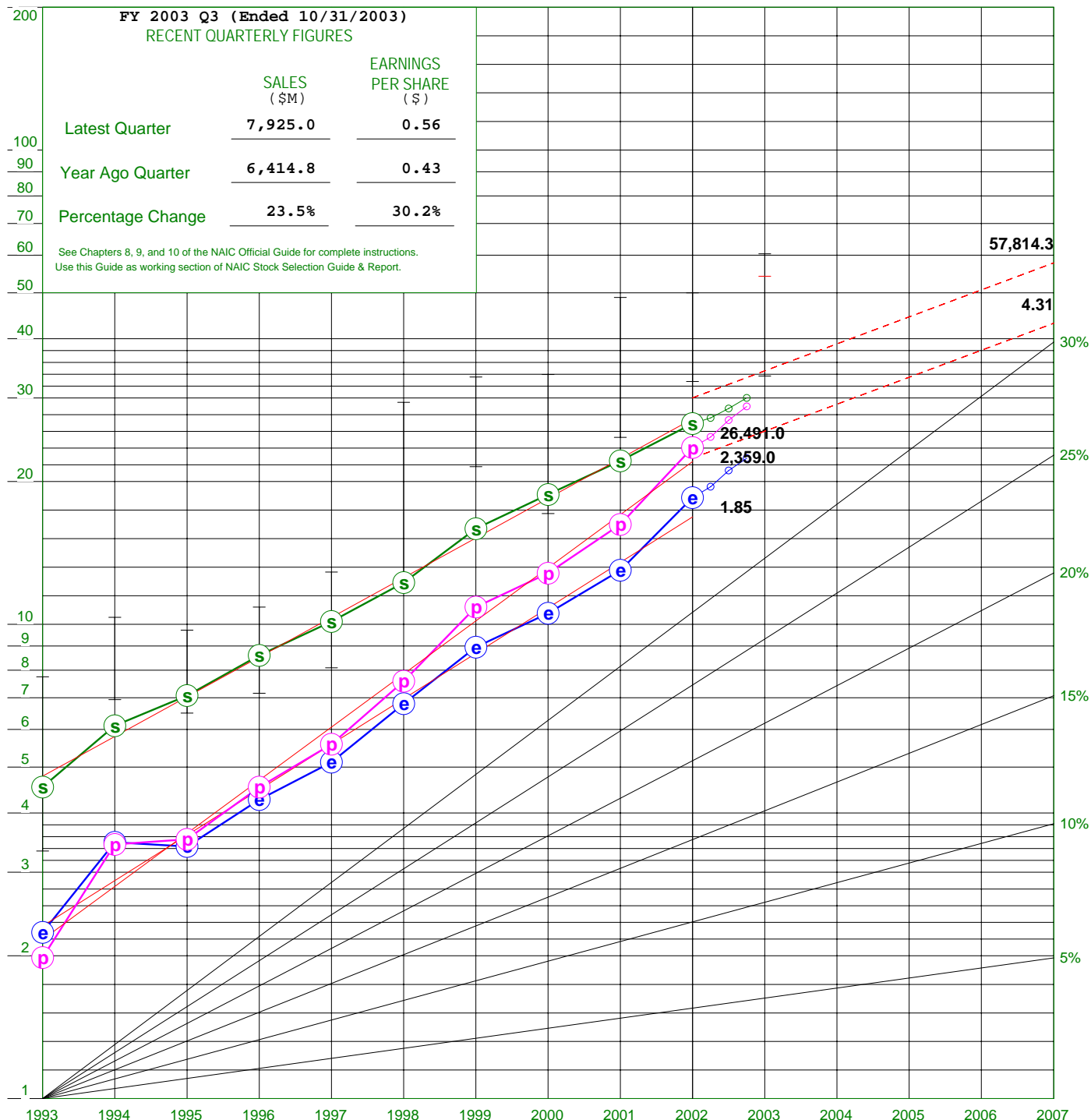
Prepared by MG Data taken from NAIC Data

Where traded NYSE Major product/service Home Improv

| CAPITALIZATION --- Outstanding Amounts | | Reference | |
|--|---------|------------------|---------------|
| Preferred (\$M) | 0.0 | % Insiders | % Institution |
| Common (M Shares) | 786.0 | 30.0 | 76.1 |
| Debt (\$M) | 3,758.0 | % to Tot.Cap. | 31.1 |
| | | % Potential Dil. | None |

1 VISUAL ANALYSIS of Sales, Earnings and Price

LOW



(1) Historical Sales Growth 21.3 % (3) Historical Earnings Per Share Growth 24.7 %
 (2) Estimated Future Sales Growth 14.0 % (4) Estimated Future Earnings Per Share Growth 14.0 %

2 EVALUATING MANAGEMENT

Company LOWE'S COMPANIES INC. (LOW)

12/22/03

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | LAST 5 YEAR AVG. | TREND | |
|---|------|------|------|------|------|------|------|------|------|------|------------------|-------|------|
| | | | | | | | | | | | | UP | DOWN |
| A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales) | 4.4 | 5.6 | 5.0 | 5.3 | 5.5 | 6.2 | 6.8 | 6.8 | 7.3 | 8.9 | 7.2 | UP | |
| B % Earned on Equity (E/S ÷ Book Value) | 15.2 | 15.6 | 13.2 | 13.4 | 13.8 | 15.3 | 14.6 | 14.7 | 15.1 | 17.4 | 15.4 | UP | |

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

| Year | PRESENT PRICE | | 54.180 | HIGH THIS YEAR | 60.420 | LOW THIS YEAR | 33.370 | | | |
|--------------------------------|---------------|-------|--------------------|--------------------------------|--------|--------------------|----------------------|--------------------------|--|--|
| | A | B | C | D | E | F | G | H | | |
| | HIGH | LOW | Earnings Per Share | Price Earnings Ratio | | Dividend Per Share | % Payout F ÷ C X 100 | % High Yield F ÷ B X 100 | | |
| 1 1998 | 29.4 | 11.9 | 0.68 | 43.2 | 17.5 | 0.059 | 8.7 | 0.5 | | |
| 2 1999 | 33.2 | 21.5 | 0.90 | 37.1 | 24.0 | 0.062 | 6.9 | 0.3 | | |
| 3 2000 | 33.6 | 17.1 | 1.06 | 31.8 | 16.2 | 0.070 | 6.6 | 0.4 | | |
| 4 2001 | 48.9 | 24.8 | 1.30 | 37.6 | 19.1 | 0.077 | 5.9 | 0.3 | | |
| 5 2002 | 50.0 | 32.5 | 1.85 | 27.0 | 17.6 | 0.085 | 4.6 | 0.3 | | |
| 6 TOTAL | | 107.8 | | 176.7 | 94.4 | | 32.7 | | | |
| 7 AVERAGE | | 21.6 | | 35.3 | 18.9 | | 6.5 | | | |
| 8 AVERAGE PRICE EARNINGS RATIO | | | 27.1 | 9 CURRENT PRICE EARNINGS RATIO | | | | 24.2 | | |

4 Proj. P/E [21.22] Based on Next 4 qtr. EPS [2.55] Current P/E Based on Last 4 qtr. EPS [2.24] EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E $\frac{35.3}{(3D7 \text{ as adj.})}$ 30.9 X Estimate High Earnings/Share 4.31 = Forecast High Price \$ 133.2 (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E $\frac{18.9}{(3E7 \text{ as adj.})}$ 17.6 X Estimated Low Earnings/Share 1.85 = \$ 32.6

(b) Avg. Low Price of Last 5 Years = 21.6 (3B7)

(c) Recent Severe Market Low Price = 24.8

(d) Price Dividend Will Support $\frac{\text{Present Divd.}}{\text{High Yield (H)}}$ = $\frac{0.120}{0.005}$ = 24.2

Selected Estimate Low Price = \$ 24.8 (4B1)

C ZONING

133.2 (4A1) High Forecast Price Minus 24.8 (4B1) Low Forecast Price Equals 108.4 (C) Range. 1/3 of Range = 27.1 (4CD)

(4C2) Lower 1/3 = 24.8 (4B1) to 51.9 (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 51.9 to 106.1 (Maybe)

(4C4) Upper 1/3 = 106.1 to 133.2 (4A1) (Sell)

Present Market Price of 54.180 is in the Hold (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 133.2 Minus Present Price 54.180 = 79.0 = 2.7 To 1
Present Price 54.180 Minus Low Price (4B1) 24.8 = 29.4 (4D)

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) 133.2 = (2.458) X 100 = (245.8) - 100 = 145.8 (4E) % Appreciation
Present Market Price 54.180

Relative Value: 89.3% Proj. Relative Value: 78.3%

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A Present Full Year's Dividend \$ 0.120
Present Price of Stock \$ 54.180 = 0.002 X 100 = 0.2 Present Yield or % Returned on Purchase Price (5A)

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 3.32 X Avg. % Payout 9.3 = 30.9 = 0.6 % (5B)
Present Price \$ 54.180

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

| | 5 Year Appreciation Potential (4E) | | P.A.R. | Tot. Ret. |
|--|------------------------------------|---------------|--------------|--------------|
| 5 | <u>145.8</u> | <u>29.2</u> % | <u>0.4%</u> | <u>0.3%</u> |
| Average Yield (5B) | <u>0.6</u> % | | <u>14.0%</u> | <u>19.7%</u> |
| Average Total Annual Return Over the Next 5 Years (5C) | <u>29.8</u> % | | <u>14.4%</u> | <u>20.0%</u> |

Trailing 4 quarters

PERT Worksheet-A Graph

Company LOWE'S COMPANIES INC.

(LOW)

